

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 L-03 STR-04 TRSE-00 SP-02
CIAE-00 INR-07 NSAE-00 SS-15 NSC-05 /054 W
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FM AMEMBASSY MANAMA BAHRAIN
TO SECSTATE WASH DC 4742
INFO AMEMBASSY ABU DHABI UAE
AMEMBASSY AMMAN JORDAN
USINT BAGHDAD IRAQ
AMEMBASSY CAIRO EGYPT
AMEMBASSY DAMASCUS SYRIA
AMEMBASSY DOHA QATAR
AMEMBASSY JIDDA SAUDI ARABIA
AMEMBASSY KUWAIT KUWAIT
AMEMBASSY MUSCAT OMAN
AMEMBASSY SANA YEMEN ARAB REPUBLIC
AMEMBASSY TRIPOLI LIBYA
USDOC WASH DC

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E.O. 11652: N/A
TAGS: BEXP, EALR, XF, BA
SUBJECT: ARAB BOYCOTT: POSITIVE CERTIFICATION

REFS: (A) STATE 117172 (B) KUWAIT 2851 (C) DOHA 648

1. SUMMARY: LETTERS OF CREDIT USED BY BAHRAINI BANKS
GRADUALLY CHANGING TO REFLECT ACCEPTANCE OF POSITIVE
CERTIFICATION BUT THE BRITISH ARE SLOWER THAN THE ARABS
TO MAKE THE CHANGE.

2. ALL THE AMERICAN BANKS, THE NATIONAL BANK OF BAHRAIN
AND THE BANK OF BAHRAIN AND KUWAIT, AS WELL AS THE ARAB BANK
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HAVE SWITCHED TO "POSITIVE CERTIFICATION" ALONG LINES
CITED REFTEL B, PARA 5. INTERESTINGLY EVEN THESE BANKS
WERE SLOWER THAN THE GOVERNMENT, THE CUSTOMS DIRECTORATE
AND THE CHAMBER OF COMMERCE AND INDUSTRIES WHICH SWITCHED
TO POSITIVE CERTIFICATION IN NOVEMBER/DECEMBER 1976. NEW
AMERICAN MANAGER OF THE NATIONAL BANK OF BAHRAIN (WHICH
HANDLES ABOUT THIRTY PERCENT OF THE LOCAL COMMERCIAL BANKING

BUSINESS) TELLS US THAT HE LOBBIED WITH THE BAHRAIN BOARD OF DIRECTORS (WHICH HAD EXPRESSED CONCERNS SIMILAR TO THOSE OF KUWAITI DIRECTORS OF THE GULF BANK, REF B) INFORMALLY TO ENDORSE HIS DECISION TO STRIKE OUT NEGATIVE CLAUSES ON BANK'S LETTERS OF CREDIT AND OTHER FORMS AND SUBSTITUTE POSITIVE LANGUAGE. AFTER CHECKING INFORMALLY WITH MINISTRY OF FINANCE, DIRECTORS AGREED TO HIS PROPOSAL AND THERE HAVE BEEN NO PROBLEMS WITH CUSTOMS/BOYCOTT OFFICE AUTHORITIES SINCE THE CHANGE WAS MADE IN FEBRUARY.

3. AS IN DOHA, THE TWO MAJOR HOLDOUTS WHICH HAVE IMPACT ON THE LOCAL BANKING SCENE (ALTHOUGH DECREASINGLY SO) ARE THE BRITISH BANK OF THE MIDDLE EAST AND THE CHARTERED BANK. IF THE DEPT HAS NO OBJECTION, EMBASSY PLANS TO DISCUSS NEGATIVE CERTIFICATION PROBLEMS, UNDER US LAW, WITH BRITISH BANKERS AND POINT OUT THAT OTHER LOCAL BANKS HAVE MADE THE SWITCH TO POSITIVE CERTIFICATIONS SOME MONTHS AGE IN ORDER TO ALIGN THEMSELVES WITH THE NEWEST DIRECTIVES FROM THE GOVERNMENT AND THE CHAMBER OF COMMERCE AND INDUSTRIES. IF THE BRITISH PROVE RECALCITRANT (AND WE SHARE SOME OF THE SUSPICIONS MENTIONED REF C), WE INTEND TO RAISE ISSUE WITH BAHRAIN MONETARY AGENCY AUTHORITIES AS WELL AS MINISTRY OF FINANCE. UNLESS WE HEAR TO THE CONTRARY WE WILL PROCEED ALONG THESE LINES DURING THE NEXT SEVERAL WEEKS.

4. A RELATED PROBLEM, AS NOTED IN DOHA REFTTEL, IS THAT SOME GOB TENDERS, NOTABLY FROM THE HEALTH AND WORK, POWER AND WATER MINISTRIES, CONTINUE TO USE OUTDATED NEGATIVE CERTIFICATION LANGUAGE. WE INTEND TO DRAW THESE OLD PRACTICES TO LIMITED OFFICIAL USE

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THE ATTENTION OF THE MINISTER OF FINANCE FORMALLY AND INFORMALLY TO THE MINISTERS OF HEALTH AND WORKS IN THE HOPE THAT THE FORMER WILL CLARIFY OFFICIALLY TO HIS COLLEAGUES AND THEIR LARGELY BRITISH LEGAL ADVISORS THAT THE LANGUAGE MAY AND IN FACT SHOULD BE CHANGED IN LINE WITH GOB POLICY DECISIONS OF LAST FALL ACCEPTING POSITIVE CERTIFICATION.

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Control Number: n/a
Copy: SINGLE
Sent Date: 07-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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Handling Restrictions: n/a
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ISecure: 1
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